

SERVICE DATE - MAY 8, 2002

SURFACE TRANSPORTATION BOARD

NOTICE

STB Ex Parte No. 347 (Sub-No. 2)

RATE GUIDELINES—NON-COAL PROCEEDINGS

Decided: May 2, 2002

In Rate Guidelines—Non-Coal Proceedings, 1 S.T.B. 1004 (1996), the Board established guidelines for handling rate complaints in cases where the constrained market pricing (CMP) guidelines cannot practicably be applied.<sup>1</sup> In that decision, the Board provided tables containing “Revenue Shortfall Allocation Method” (RSAM) and “Average Revenue-to-Variable Cost<sup>>180</sup>” (R/VC<sup>>180</sup>) percentages for each Class I railroad for the 4-year period 1991-1994. The RSAM measures the average markup above a carrier’s variable cost that the carrier would need to charge all its “potentially” captive traffic (traffic priced above 180% of variable costs) to earn adequate revenues as determined under 49 U.S.C 10704(a)(2). The R/VC<sup>>180</sup> represents the average markup above variable cost that a carrier imposes on its high-rated traffic (traffic priced above 180% of variable cost). The Board updates the RSAM and R/VC<sup>>180</sup> tables annually.

The attached tables contain RSAM and R/VC<sup>>180</sup> percentages for the period 1997-2000. Because the rail systems for CSX Transportation, Inc. (CSX) and Norfolk Southern Railroad (NS) changed significantly in 1998 with the acquisition by those two railroads of the Consolidated Rail Corporation (Conrail) and the division of Conrail’s assets between them, the pre-acquisition operating statistics of CSX and NS are not comparable to their post-acquisition statistics. Consequently, we could not compute a meaningful 4-year average for those two railroads or Eastern or National 4-year averages. Thus, the tables reflect only the 2000 and 1999 results for CSX and NS and for the Eastern and National composites. Until additional years of data become available, interested parties may wish to rely on other relevant information in addition to the 2 years of data for CSX, NS and the composite average shown here.

By the Board, Leland L. Gardner, Director, Office of Economics, Environmental Analysis, and Administration.

Vernon A. Williams  
Secretary

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<sup>1</sup> CMP, adopted in Coal Rate Guidelines—Nationwide, 1 I.C.C.2d 520 (1985), is the preferred procedure for evaluating the reasonableness of challenged rates.

**Table I**  
**RSAM Markup Percentages**  
**(Range With & Without Efficiency Adjustment)**

<b>Railroad/ Region</b>	<b>4 - Year Average</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
<b>BNSF</b>	210-282	222-296	185-248	188-258	243-324
<b>GTW</b>	167-236	129-186	118-188	203-278	219-290
<b>IC</b>	200-241	231-287	228-283	159-184	183-211
<b>KCS</b>	250-299	275-339	280-345	220-264	223-248
<b>SOO</b>	328-446	298-361	399-565	324-445	292-412
<b>NS</b>		208-272	191-227		
<b>CSX</b>		217-259	205-245		
<b>UP</b>	281-409	254-369	231-322	349-527	291-416
<b>Eastern Region</b>		213-265	201-240		
<b>Western Region</b>	250-350	243-341	217-298	270-388	271-374
<b>National</b>		228-308	213-277		

**Table II**  
**Average Existing Revenue-to-Variable Cost Percentages**  
**For Traffic Above 180% R/VC**

<b>Railroad/ Region</b>	<b>4 - Year Average</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
<b>BNSF</b>	264	266	263	266	262
<b>GTW</b>	228	243	255	213	201
<b>IC</b>	260	241	264	272	263
<b>KCS</b>	234	242	248	243	204
<b>SOO</b>	245	228	246	250	256
<b>NS</b>		200	206		
<b>CSX</b>		191	210		
<b>UP</b>	229	222	234	225	234
<b>Eastern Region</b>		199	213		
<b>Western Region</b>	245	242	247	244	248
<b>National</b>		225	237		